

Alice Springs Town Council



Four-Year Long Term Financial Plan

2023/2024 – 2026/2027

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1. Executive Summary

Background

Alice Springs Town Council (ASTC) is a municipality that covers vast distances, distinct from comparative Councils across the Nation, as well as being a service hub for 260 remote communities.



Population for the region sits **below 40,000**.

Introduction

ASTC fulfils its legislative obligation by developing a Long Term Financial Plan (LTFP) with a four-year horizon. The LTFP is recognised as an important strategic document which forecasts and aligns long term financial viability against the targets and objectives set by ASTC. As such, this LTFP focuses on budget repair for 2023/24 to 2026/27.

Revenue



Rates revenue make up **over 75% of ASTC's income**.

Rates are projected to exceed **\$30 million** for the **2022/23** financial year.

Increases to Council rates for ratepayers have historically been inconsistent and an outcome of short term budgeting. The updated LTFP sought to address this by applying a remediated rate increase for this first year and then a constant rate of increase over the remaining period. The rate increases reflect ASTC's role in continuing to meet the needs and services of its community as well as to maintain, upgrade and invest in assets for the community whilst maintaining an adequate level of cash flow reserves.

Expenditure

ASTC has three significant classes of expenses; **employment costs**, **asset maintenance and renewal costs**, and costs to operate the **Regional Waste Management Facility (RWMF)**.



Labour is a critical component in meeting the **service needs** of its **community**; ASTC are a major employer in Alice Springs.

Employment costs are projected to be **\$19.6 million** for the **2023/24** financial year after labour review stage 1.

Projections of costs in relation to **asset maintenance and renewals** and the **RWMF** have been assessed in an Asset Management Plan (AMP). The plan identified the spending requirements of the Council to both maintain and replace assets and infrastructure where required. In the updated LTFP, renewals will be based on a specific needs basis per assumption 11. An impetus to undertake the asset management review was to gain an understanding of how future expected spend would impact the reserves over time.

The present focus is on budget repair.

2. *LTFP* Approach and Specific Assumptions

LTFP Background

Section 200 of the Northern Territory Australia *Local Government Act 2019* requires Councils to prepare and keep up-to-date a long term financial plan relating to a period of at least four financial years. A long term financial plan is a financial model and a key planning document for understanding financial sustainability. It is beneficial for internal budgeting and project planning as the model combines financial forecasting with strategising, and considers financial strategies and performance indicators. It expresses in financial terms the activities the Council proposes to understand and informs significant decisions about resource allocation.

Key benefits arising from having a long term financial plan in place include:

- Improves understanding of financial sustainability;
- Aids financial management and decision making;
- Increases commitment to maintain asset base and plan for major projects;
- Manages expectations of what can be achieved, within context and financial limits; and
- Improves commitment in aligning resources to achieve strategic plans.

The Council's financial objectives for the *LTFP* are summarised as follows:

1. To have a financial model that is both forward looking, in order to provide an indication of financial sustainability for the Council based on their proposed changes, and adaptable, in order to address the dynamic needs of the community;
2. To guide strategic decisions and ensure they align within the Council's contextual and financial limitations, and benchmarks, targets and objectives set by ASTC;
3. Enhance the Council's duty to remain transparent and accountable towards the community;
4. Enhance ability to align resources to strategic plans efficiently, encourage cost control and support financial improvement aspirations; and
5. Aid early identification of financial challenges to enable the Council to engage in necessary decision making and consideration of alternative funding or cost saving options.

LTFP Model Approach

In development of the 2023/24 – 2026/27 four-year long term financial plan model, the following information was utilised as the basis:

1. 2023/24 budget developed by ASTC, noting:

The budget reflects the projections and assumptions outlined in ASTC's Municipal Plan, and is the result of a detailed historical review across the Council's three key directorates:

- Community Development
- Corporate Services
- Technical Services
- Office of the CEO

2. The four-year financial plan was driven by basic assumptions as outlined below:

- An aspirational 3.5% population growth
- CPI of 4% in 2024/2025 and 3% annually from 2025/2026 thereafter
- Rate increase of 7.5% in 2023/2024 (generally in line with recent CPI) and rate rises of 4.7% annually from 2024/2025
- Fees & charges increase of 5% annually
- Operating grants to remain constant
- Investment earnings of 4% for 2024/2025 and 3% thereafter
- Efficiencies to be delivered in labour, materials and contracts of \$1.3m in 2024/2025, \$1.6m in 2025/2026 and \$2m in 2026/2027 (cumulative)
- General increase in labour costs of 3% Enterprise Agreement per annum, plus a further 1% due to cost of meeting the market
- Asset renewals of \$1m in 2024/2025, \$2m in 2025/2026 and \$3m in 2026/2027 pending development of a robust Asset Management Plan
- Regional Waste Management Facility Masterplan implementation of \$800,000 in 2024/2025 and \$800,000 in 2026/2027
- Updates to the yearly Elected Member or Council Committee Allowances in alignment with legislation.

Key Growth Rate Assumptions & Sensitivities

The growth assumptions applied in the model are based on current available information and should be updated over time and on an annual basis. These assumptions have been updated for the 2023/24 – 2026/27 Long Term Financial Plan.

The key growth assumptions that drive the model are as follows.

GENERAL ASSUMPTIONS

1. Residential Growth:

Residential Growth has been set at an aspirational **3.5% growth** per annum.

2. Consumer Price Index (CPI):

The data for CPI is limited for Central Australia specifically. NTG Treasury shows CPI increased 7.1% in the year to December 2022 for Darwin (compared to 7.8% in 8 capital cities of Australia).

CPI has an increase of 4% in 2024/25 and 3% growth thereafter.

REVENUE ASSUMPTIONS

3. Rates Revenue:

Rates increase at 7.5% in 2023/24.

2024/2025 onwards, rate rises of 4.7%.

4. User Fees and Charges Revenue:

5% annual increase in fees and charges across the board.

STATUTORY CHARGES: Waste Levy and Waste Services at an increase of 7.5% for 2023/24 and then at 4% thereafter.

5. Operating Grants:

Operating Grants has no growth rate and is stagnant at 0%.

6. Investment earnings:

Increases to 4% for 2024/25 and then 3% in 2025/26 & 2026/27.

7. Other revenue:

5% increase in other revenue.

EXPENSE ASSUMPTIONS

8. Employee Costs:

Labour savings of \$1 million recurrent (that is reduce in 2024/25 though no further reductions following).

Vacancy rate to remain at 7.5%.

3% EBA increase to remain.

9. Materials, Contracts and Other Expenses:

Set at 4% increase in line with the CPI growth for 2024/25 and at a rate of 3% thereafter.

Efficiency savings/improved commercial operations of \$300,000 in 2024/25, \$600,000 in 2025/26 (additional \$300,000 on 2024/25) and \$1 million in 2026/27 (additional \$400,000 on 2024/25 and 2025/26).

Allocated across the board, stationery, insurance, fleet, copies, procurement, RWMF.

Basis of figures to be 2023/24 budget figures.

10. Depreciation

Keep the methodology as same.

11. Capital expenditure / renewals:

Asset renewals of \$1 million in 2024/25, \$2 million in 2025/26 and \$3 million in 2026/27.

RWMF asset renewals of \$800,000 in 2024/25 and again in 2026/27.

\$200,000 annual spending on strategic projects.

Capital expense budget in addition to above also (per Council records from Technical services) – review for RWMF inclusion already.

LTFP Base Data

In updating the LTFP model, the following information will be utilised as the basis for the LTFP model development:

1. 2023/24 budget developed by ASTC, noting:

The budget reflects the projections and assumptions to be outlaid in ASTC's Municipal Plan, and is the result of a detailed historical review across the Council's four key departments:

- Technical Services
- Corporate Services
- Community Development
- Office of CEO.

Long Term Financial Plan

Alice Springs Town Council - FY 2024 Long Term Financial Plan	2024 Budget	2025 Forecast	2026 Forecast	2027 Forecast
Income from Continuing Operations				
Rates	27,413,311	28,701,737	30,050,718	31,463,102
Rates - waste management charges	4,550,443	4,764,314	4,988,237	5,222,684
User charges & fee	5,632,517	5,914,143	6,209,850	6,520,342
Operating Grants and Subsidies	3,332,109	3,182,108	3,182,108	3,182,109
Interest and investment revenue	1,671,738	1,755,325	1,843,091	1,935,246
Other operating revenue	831,137	872,694	916,329	962,145
TOTAL INCOME FROM CONTINUING OPERATIONS	43,431,255	45,190,321	47,190,333	49,285,628
Expenses from Continuing Operations				
Employee benefits & costs	19,889,621	19,685,206	20,472,614	21,291,519
Materials and contracts	11,211,324	11,359,776	11,400,570	11,342,587
Elected Member Allowances	383,500	398,840	410,805	429,501
Elected Member Expenses	46,023	47,028	48,012	49,017
Council Committee & LA Allowances	79,043	82,205	84,671	87,211
Council Committee & LA Expenses	5,513	5,734	5,906	6,083
Depreciation, amortisation & impairment	9,571,557	9,757,028	9,996,992	9,935,935
Other operating expenses	7,291,598	7,584,098	7,812,047	8,040,472
TOTAL EXPENSES FROM CONTINUING OPERATIONS	48,478,179	48,919,915	50,231,617	51,182,325
OPERATING PROFIT (LOSS) FOR THE YEAR AFTER DEPRECIATION	(5,046,924)	(3,729,594)	(3,041,284)	(1,896,697)
Add Back Non-Cash Expenses	9,571,557	9,757,028	9,996,992	9,935,935
Total Non-Cash Items	9,571,557	9,757,028	9,996,992	9,935,935
Capital Expenses	11,050,633	12,475,000	15,550,000	6,690,000
Transfer to Reserves	7,690,633	14,027,434	16,955,708	8,039,238
Total Additional Outflows	18,741,266	26,502,434	32,505,708	14,729,238
Capital Grants Income	3,166,000	8,000,000	10,000,000	-
Transfers from Reserves	11,050,633	12,475,000	15,550,000	6,690,000
Total Additional Inflows	14,216,633	20,475,000	25,550,000	6,690,000
NET BUDGETED OPERATING POSITION	-	-	-	-